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USDOC 4520/ITA/MAC/AMESA/OME/NWIEGLER -- FOR ASSISTANT
SECRETARY LASH FROM AMBASSADOR NEUMANN

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SUBJECT: SCENESETTER FOR USDOC ASSISTANT SECRETARY LASH
VISIT TO BAHRAIN

REF: USDOC 6511

1. Our team at Embassy Manama welcomes the upcoming visit of Assistant Secretary Lash to Bahrain. I regret that I will not be here to meet you, but we are arranging an excellent program in my absence. Your visit will further strengthen ties between the Commerce Department and Bahrain, building the recent visit by Secretary Evans and Deputy Secretary Bodman last October and Deputy Secretary Bodman's visit in March 2002. The Bahrainis want closer economic relations and want also to expand regional trade. Your visit will be very welcome.

2. Overall U.S.-Bahraini relations are excellent. Our security relationship, centered around the longstanding U.S. Navy's presence in Bahrain, is the cornerstone of our bilateral relationship. In addition, through the Middle East Partnership Initiative we are engaging with nascent democratic and civil society institutions, including Bahrain's new Parliament. We also are funding ABA work with the Bahrainis on commercial law reform.

3. More and more we are focusing on the bilateral economic relationship. The U.S. is Bahrain's largest trading partner. Our exports to Bahrain in 2003 were approximately \$330 million; we imported approximately \$456 million of Bahraini products as well -- textiles, aluminum, and petrochemicals. U.S. companies with subsidiary operations in Bahrain include American Express, Citibank, Chase Manhattan Bank, Chevron, and Great Lakes Dredging.

4. In dollar terms, however, trade has been growing only slowly. The Bahraini Government recognizes that enhanced trade flows are a means of addressing its serious unemployment problem. For that reason the King and the Crown Prince seek a Free Trade Agreement (FTA) with the United States. Under USTR leadership, the FTA negotiations will begin here on January 26. We anticipate that textiles and services will be the toughest issues in the negotiations.

5. The Bahraini Government and business sector, meanwhile, are keenly interested in developments in Iraq. The Government is anxious to see Iraq stabilized and friendly with its neighbors. The Bahraini business sector has hoped that with the end of the war and the reconstruction of Iraq there would be many new business opportunities. So far, Bahrain companies' experience has not been positive. One of Bahrain's flagship companies, telephone service provider BATELCO, was not successful in its bid for a GSM operating license in Iraq. Another flagship company, Gulf Airlines, still awaits the reopening of airports in Baghdad and Basra. Other Bahraini firms, including construction firms and trading companies, hope for new contract opportunities. You will be able to address these kinds of opportunities during your meeting with the Bahrain Chamber of Commerce and also during your meeting with the Bahraini press.

6. Finally, we would like you to give us a hand with the establishment of the new American Chamber of Commerce in Bahrain (AmCham). For years there was an existing group of American businessmen in Bahrain, but it excluded non-American citizens -- thus leaving important American company subsidiaries such as Citibank, Federal Express, and American Express without representation in this group. A different group is now organizing a formal American Chamber of Commerce in Bahrain. King Hamad and Crown Prince Salman are enthusiastic about the AmCham concept. A number of American companies have been invited to the reception we are giving in your honor on January 13th and we would appreciate your encouraging them to link up with the new AmCham.

7. Again, we look forward to seeing you in Bahrain.
NEUMANN